

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01
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TO SECSTATE WASHDC 8320
INFO USMISSION GENEVA
AMEMBASSY NEW DELHI

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E.O. 11652: N/A
TAGS: EFIN BG
SUBJECT: UNCTAD TDB MINISTERIAL ON DEBT, GENEVA MARCH 6-10, 1978

REF: A. STATE 052012; B. STATE A-0451

1. BANGLADESH WILL BE REPRESENTED AT UNCTAD TRADE AND DEVELOPMENT BOARD MINISTERIAL SESSION BY PRESIDENTIAL ADVISER (MINISTER) FOR COMMERCE M. SAIFUR RAHMAN. HE WILL BE ACCOMPANIED BY DR. FAKHRUDDIN AHMED, JT. SECRETARY, EXTERNAL RESOURCES DIVISION MINISTRY OF PLANNING. (AHMED WAS A BROOKINGS FELLOW AT 1977 BROOKINGS SEMINAR IN WASHINGTON ON NORTH-SOUTH ISSUES AND MET UNDERSECRETARY COOPER THERE.)

2. DURING A CALL ON AHMED MARCH 3, EMBOFF PRESENTED U.S. VIEWS ON DEBT ISSUE, DRAWING ON REFERENCED MESSAGES. IN REPLY, AHMED MADE FOLLOWING POINTS: BANGLADESH APPRECIATES ITS "PRIVILEGED" POSITION AMONG DEVELOPING COUNTRIES AS THE BENEFICIARY OF VERY LARGE GRANT AND CONCESSIONAL ASSISTANCE. BDG IS GRATEFUL FOR TREND IN U.S. ASSISTANCE TOWARD AID.

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3. NEVERTHELESS, BDG IS WORRIED ABOUT DEBT SERVICE BURDEN, WHICH IS CURRENTLY ABOUT 20 PERCENT OF CURRENT FOREIGN EXCHANGE EARNINGS. (NOTE: FY 1977 EXPORTS WERE \$474 MILLION AND ARE NOT EXPECTED TO RISE SUBSTANTIALLY THIS YEAR.) PAYMENTS ARE PRIMARILY INTEREST. GRACE PERIODS FOR REPAYMENT OF PRINCIPAL ON LARGE BILATERAL AND MULTILATERAL CONCESSIONAL LOANS ARE STILL RUNNING, ALTHOUGH SOME PRINCIPAL IS BEING

PAID ON IMF LOANS AND ON HARD TERM LOANS CONTRACTED AFTER INDEPENDENCE IN 1971.

4. THIS DEBT SERVICE BURDEN WILL JUMP IN THE MID EIGHTIES WHEN PAYMENT OF PRINCIPAL ON CONCESSIONAL LOAN WILL BEGIN; BDG DOUBTS THAT FOREIGN EXCHANGE EARNINGS WILL INCREASE AT A SUFFICIENT PACE TO COVER ADDITIONAL LOAN WITHOUT STRAIN. THUS BDG SUPPORTS G-77 DESIRE FOR DEBT RELIEF AT THIS TIME.

5. BANGLADESH DOES NOT SUPPORT ACROSS THE BOARD, GENERALIZED DEBT RELIEF, AND ACKNOWLEDGES THAT THIS WOULD BE INEQUITABLE, SINCE MANY LESS NEEDY COUNTRIES THAN BANGLADESH HAVE MUCH HIGHER DEBT LOADS. IT RECOGNIZES THAT DEBT RELIEF MUST BE RELATED TO OVERALL AID NEEDS OF INDIVIDUAL COUNTRIES. FOR THIS REASON, BDG HOPES THAT G-77 WILL REACH A CONSENSUS ON A FORMULA FOR DEBT RELIEF THAT WOULD TAKE INTO ACCOUNT NEEDS AND CAPABILITIES OF DIFFERENT CATEGORIES OF DEVELOPING NATIONS.

6. AHMED SAID HE HAD BEEN INFORMED THAT DURING THE SENIOR OFFICIALS MEETING IN GENEVA ON DEBT RELIEF IN JANUARY, AT WHICH BDG WAS REPRESENTED BY SECRETARY FOR PLANNING A.M.A. MUHITH, BANGLADESH AND U.S. OFFICIALS DURING INFORMAL TALKS AGREED TO PREPARE A JOINT DRAFT OF SOME KIND. HE WAS NOT INFORMED OF THE OUTCOME OF THIS INITIATIVE, OR IF OTHER NATIONS WERE INVOLVED, BUT THOUGHT ACTION ON THE BANGLADESHI SIDE HAD BEEN LEFT LIMITED OFFICIAL USE

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WITH BDG AMBASSADOR IN GENEVA, KIBRIA.

7. COMMENT: WE SUSPECT BANGLADESH WILL PUBLICLY ASSOCIATE ITSELF WITH GENERAL G-77 POSITIONS AT GENEVA, AS IT CUSTOMARILY DOES. HOWEVER, IT WILL BE UNLIKELY TO SUPPORT ANY FORMULA THAT WOULD UNDERMINE ITS PROSPECTS FOR CONTINUED ASSISTANCE OR PROVIDE DISPROPORTIONATE BENEFITS TO OTHER LESS NEEDY DEVELOPING COUNTRIES, FOR EXAMPLE, INDIA. JOINT USG/BDG DRAFT ON DEBT WHICH AHMED REFERRED TO IS NEWS TO US. WE WOULD APPRECIATE BEING KEPT INFORMED OF ANY SIGNIFICANT USG/BDG BILATERAL DISCUSSIONS ON THIS SUBJECT. BERGESEN

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